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SUBJECT: Western Region - Energy, HIV and Illegal Mining Top List of Concerns

Reference: Accra 01634

1.(SBU) Summary: During a joint visit with the Ambassador to the Takoradi Power Plant, Minister of Energy Joseph Adda was forward-leaning about prospects for the long-stalled CMS Energy deal to expand the Takoradi 2 power plant. He indicated that costs remain a major concern but he was hopeful that negotiations could produce agreement on the expansion by October. The Chief Executive of the Volta River Authority (VRA) said VRA was looking at options to meet immediate needs, primarily through rentals of generating turbines. Nine companies, including GE, have been approached.

2.(U) Separately, the Ambassador paid a courtesy call on Western Regional Minister, Anthony Evans Amoah, who raised his interest in working with the United States to address challenges related to illegal small-scale mining activity, HIV/AIDS and energy. The Ambassador emphasized our partnership with the region in areas such as immunization, military cooperation, maritime safety and private sector development. Media outreach emphasized Post's interest in expanding the American commercial presence in Western Region. End Summary.

3.(U) Ambassador Bridgewater and chiefs of the Foreign Commercial Service (FCS), Economic and Public Affairs sections visited Western Region September 5-7. The Ambassador opened an FCS-sponsored seminar for local businesses on how to do business with the United States, toured the rainforest canopy walk at Kakum National Park, met with local business leaders, visited several small businesses, and conducted a live 15-minute interview with a leading independent radio provider which aired simultaneously in the commercial hub Kumasi. The Ambassador met with the Minister of Energy at the Takoradi Power Plant and with the Western Regional Minister.

Energy: Takoradi Power Plant Visit

4.(SBU) The Minister of Energy, Joseph Adda, joined the Ambassador on her previously scheduled visit and tour of the Takoradi Power plant. The visit was covered extensively by print and TV press. Also participating were the Chief Executive of the Volta River Authority, Joshua Kofie Ofedie, CMS Energy Managing Director, John Odom (CMS is a U.S. investor and operator of the Takoradi 2 power plant), the acting plant director and numerous staff. Adda was forward-leaning about prospects for the long-stalled CMS deal to expand the Takoradi 2 power plant. He indicated that costs remain a major concern but said he was hopeful that negotiations could produce results by October. Separately, CMS informed us it expected a letter from the Minister of Energy to the Chief Executive of the Volta River Authority (the plant's joint venture partner and sole customer) giving VRA a mandate to renew negotiations. The letter will make no real commitment on the part of either the Government of Ghana (GOG) or CMS beyond triggering expenditure of funds needed to do preparatory work.

5.(SBU) VRA Chief Executive Ofedie said Ghana was currently relying heavily on the two power plants at Takoradi (see reftel for background on the Takoradi plants and Ghana's energy sector in general). Both were performing at near-capacity, although one unit

at Takoradi 1 is being refurbished to improve efficiency. Currently, the GoG is using about 450 thousand barrels of oil a month to fuel the plants, at a cost of around \$30 million, depending on the cost per barrel. Once the unit at Takoradi 1 is back in service, the plants will go through the 450 thousand barrels in about 3 weeks. When the West Africa Gas Pipeline (WAGP) comes on line (March 2007), fuel costs will decline by about 30 percent. Takoradi 1 needs to be refitted to be able to use gas, a process that should be completed in December. Takoradi 2 is already ready to use gas. Other than the proposed CMS expansion, Ofedie indicated that the GOG expected to have a 125 megawatt plant on a barge commissioned to run on gas within 12 months. Ofedie said plans are also well underway for a 125 megawatt plant in Tema, in addition to a planned 330 megawatt plant there.

Immediate Energy Needs

6.(SBU) Prior to the Minister's arrival at the meeting, the Ambassador, CMS and the VRA Chief Executive discussed Ghana's immediate energy crisis. It has been triggered by record low water levels at the Akosombo Dam, but a near-term crisis has been predicted by energy experts for at least a year based on Ghana's growing energy needs and the lack of new investment in the sector. Even if the CMS deal moves forward in the next few months, the expanded plant will not produce energy for more than two years after the start of construction. Ofedie said that VRA was looking at options to meet immediate needs, primarily through rentals of generating turbines. Nine companies, including GE, Caterpillar, Cummins and CMS Energy have been approached.

7.(SBU) The Ambassador indicated she had communicated Ghana's request for assistance during this energy crisis to Washington and requested that VRA keep us informed of their search so we can work with them in support of their efforts to find a timely interim fix.

Comment

8.(SBU) The GOG still has no solid plans to meet the country's energy needs in the short term. Load shedding (scheduled rolling blackouts) is ongoing. The 125 megawatt barge that the GOG claims will be operational in 12 months remains a question mark. It has never been fired up. The plant was built by the Italians with Japanese funding in the late nineties. It sat in Italy for two years before being brought to Ghana. Since arriving in Ghana, its intended berth at Efaso Port in the Western Region needed to be dredged and once that was done, gas was not available. The government has decided it will move the barge to Tema because gas is expected to be available through the WAGP beginning in March 2007. There has been considerable local concern about the move and the loss of expected jobs. The Minister of Energy was in the region in part to explain to local chiefs and community leaders the reason behind the move. The planned 125 megawatt plant in Tema is far from a done-deal (septel) and would not come on line until June 2007, at best.

9.(SBU) Comment continued: If Ghana is to maximize benefits from the WAGP over the medium and long-term, it needs to move quickly to put in place the regulations and procedures for developing a secondary gas network, primarily in Tema. If Ghana fails to move quickly to lock into place favorable long-term supply contracts, additional WAGP gas may be sold to customers elsewhere in the region, resulting in permanently higher costs to VRA. USAID/West Africa is providing technical assistance to the West Africa Gas Pipeline Authority, the West Africa Power Pool and the Resource Center for Energy Economics and Regulation (RCEER) in order to increase access to power in the region. VRA is a cornerstone of the West Africa Power Pool. End Comment.

Meeting with the Western Regional Minister

10.(U) The Ambassador met with the Western Regional Minister, Anthony Evans Amoah, his deputy Kwesi Blay, and more than 20 staff members in Takoradi September 6. The Ambassador outlined the major areas of U.S. cooperation with the region, including cooperation on polio, malaria, naval training, definition of sea lanes to improve

maritime security, as well as her participation in a seminar for local businesses on how to do business with partners in the United States.

11.(U) Minister Amoah noted that while the region will not be one of the direct beneficiaries of the Millennium Challenge Account Compact, he believes there will be collateral benefits from investments being made in surrounding areas. He said that even though poverty is not endemic, there are serious pockets of poverty which fuel activities such as illegal mining. The Minister recognizes that the activity causes considerable problems with the mining companies who have valid concessions. The region is committed to protecting the rights of business but needs help addressing the underlying causes of the illegal activities. Minister Amoah, who was appointed in April, said that his predecessor had requested World Bank assistance. The Minister also raised the need for assistance with energy generation, which is needed to support income generating activities, including for those currently involved in illegal mining.

12.(U) The Economic Planning Officer, Olivia Opoku-Adomah, provided information about HIV/AIDS challenges. While the overall prevalence rate remains relatively low, officials are concerned about a potential acceleration in infections as significant numbers of workers from neighboring countries such as Cote d'Ivoire, which has much higher prevalence rates, come into Ghana for mining jobs. Opoku-Adomah requested help to contain the spread of HIV and to support those affected, especially orphans. The Ambassador noted that the embassy was in the midst of developing a country plan for HIV/AIDS programs in Ghana and she would ensure that the planning team was aware of these local concerns.

13.(U) Discussion then focused on the limited programs to support small business development. Officials believe there is potential in areas such as rattan and bamboo but no companies have yet shown an interest in investing. There is currently little agro-processing and much of the agricultural production goes to waste. A program to train 25 small businesses on skills such as accessing loans and writing business plans will be underway soon.

BRIDGEWATER